

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

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----- 116208

R 010425Z SEP 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9861

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PASS TO CHAIRMAN KEARNS, EXIM BANK

E.O. 11652: N/A

TAGS: PBRO, EMIN, KS, TS

SUBJECT: PROPOSED SECOND INTEGRATED STEEL MILL PROJECT

1. ROLLINS, EXECUTIVE VICE PRESIDENT, US STEEL CORP., AND FERGUSON, PRESIDENT OF USS ENGINEERS AND CONSULTANTS (USSEC) CONCLUDED A FRUITFUL FOUR-DAY VISIT CONSULTING WITH THE ROKG REGARDING POSSIBLE US STEEL INVOLVEMENT IN THE PROPOSED SECOND INTEGRATED STEEL MILL PROJECT.

2. ROLLINS AND FERGUSON MET TWICE WITH KIM, YONG WHAN, SENIOR SECRETARY TO THE PRESIDENT FOR ECONOMIC AFFAIRS WHO SERVES CONCURRENTLY AS DIRECTOR GENERAL OF THE HEAVY AND CHEMICAL INDUSTRY DEVELOPMENT PROGRAM. DURING THE FIRST OF THESE LENGTHY SESSIONS KIM OUTLINED THE PLANS OF THE ROKG FOR THE DEVELOPMENT OF THE STEEL INDUSTRY AND SOLICITED THE PARTICIPATION OF US STEEL IN THE SECOND INTEGRATED MILL PROJECT. ROLLINS RESPONDED CAUTIOUSLY THAT US STEEL WAS DEFINITELY INTERESTED IN POSSIBLE INVOLVEMENT IN THE PROJECT, INCLUDING SOME EQUITY PARTICIPATION, BUT THAT NO COMMITMENTS WHATSOEVER COULD BE MADE UNTIL

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A FEASIBILITY STUDY HAD BEEN COMPLETED AND UNTIL ANY PROPOSED PARTICIPATION WAS REVIEWED AND APPROVED BY THE US STEEL BOARD OF DIRECTORS. KIM PROVIDED FERGUSON WITH A COPY OF A RECENTLY COMPLETED, BUT CLOSELY HELD, STUDY OF THE SECOND STEEL MILL PROPOSAL PREPARED BY THE KOREAN INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST) TO DETERMINE THE EXTENT TO WHICH THE KIST DATA AND FINDINGS COULD BE USED IN A USSEC FEASIBILITY STUDY.

3. THE SECOND MEETING WITH KIM WAS DEVOTED TO A DISCUSSION OF THE KIST STUDY. FERGUSON REPORTED THAT HE BELIEVED MUCH OF THE KIST DATA WOULD BE USEFUL, BUT THAT THE KIST FINDINGS HAD RAISED QUESTIONS WHICH HAD NOT BEEN CONSIDERED AT THE TIME THE ORIGINAL USSEC FEASIBILITY STUDY PROPOSAL HAD BEEN SUBMITTED. FOLLOWING A DETAILED DISCUSSION OF THE SCOPE OF A FEASIBILITY STUDY, KIM ASKED FERGUSON TO SUBMIT A REVISED PROPOSAL BY SEPTEMBER 15.

4. ROLLINS AND FERGUSON ALSO WERE WARMLY RECEIVED BY THE MINISTER OF COMMERCE AND INDUSTRY, THE DEPUTY PRIME MINISTER AND THE PRIME MINISTER DURING COURTESY CALLS. THE PRIME MINISTER STATED CATEGORICALLY THAT THE ROKG, INCLUDING PRESIDENT PARK, WANTED US STEEL TO PARTICIPATE IN THE PROJECT UNDER A JOINT VENTURE ARRANGEMENT AND HE PLEDGED THE FULLEST SUPPORT AND ASSISTANCE OF HIS GOVERNMENT TO US STEEL IN THIS MATTER.

5. COMMENT: ALTHOUGH ROLLINS REITERATED IN ALL DISCUSSIONS THAT HE COULD NOT COMMIT US STEEL, HE LEFT NO DOUBT IN THE MINDS OF THE KOREANS THAT US STEEL WAS DEFINITELY INTERESTED IN CONSIDERING PARTICIPATION IN THE PROJECT. CLEARLY

THE ROKG INTENDS TO PROCEED PROMPTLY WITH THE USSEC FEASIBILITY STUDY AND TO PRESS FOR THE MAXIMUM POSSIBLE PARTICIPATION OF US STEEL IN THE PROJECT. IT WAS ALSO APPARENT THAT THE ROKG HAS TAKEN OVER THE PROJECT AND IT IS UNLIKELY THAT EITHER SUH JUNG LIMITED OFFICIAL USE

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KUI OR PARK HEUNG SIK, WHO ORIGINALLY PROMOTED THE IDEA, WILL BE INVITED TO PARTICIPATE.
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